

## Message Text

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ACTION EUR-12

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LAB-03 SIL-01 OMB-01 L-02 NSC-05 SS-15 STR-04 CEA-01

NIC-01 SAJ-01 DODE-00 PA-02 USIA-15 PRS-01 /099 W

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R 251550Z OCT 74

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2163

DEPARTMENT OF COMMERCE WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMCONSUL MUNICH

UNCLAS BUDAPEST 2995

E.O. 11652: N/A

TAGS: ETRD, EEWT, HU

SUBJ: PROVISIONS OF HUNGARIAN FOREIGN TRADE LAW

PERMITTING ESTABLISHMENT OF FOREIGN FIRM'S

OFFICES IN HUNGARY

REF: BUDAPEST 2866

1. EMBASSY HAS JUST RECEIVED OCT 17 ISSUE OF MAGYAR KOZLONY WHICH CONTAINS NEW FOREIGN TRADE LAW AND DECREE OF MINISTRY OF FOREIGN TRADE PERTAINING TO FOREIGN REPRESENTATION IN HUNGARY. FOLLOWING IS SUMMARY OF DECREE CONCERNING FOREIGN COMMERCIAL REPRESENTATION. ARTICLE ONE OF DECREE PROVIDES "THAT FOREIGNERS MAY IN EXCEPTIONAL CASES AND WITH THE AUTHORITIES PERMISSION

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ESTABLISH DIRECT COMMERCIAL REPRESENTATION IN THE

HUNGARIAN PEOPLES REPUBLIC." THE DECREE STIPULATES FURTHER THAT FOREIGN DIRECT COMMERCIAL REPRESENTATION MAY BE ESTABLISHED IN HUNGARY WHEN " THIS IS IN CONFORMITY WITH THE INTEREST OF THE NATIONAL ECONOMY AND STATE FOREIGN TRADE POLICY AND ESPECIALLY IF THE DIRECT COMMERCIAL REPRESENTATION TO BE ESTABLISHED PROMOTES THE FORMATION OR FURTHER DEVELOPMENT OF RESEARCH, TECHNICAL DEVELOPMENT, PRODUCTION AND SELLING BETWEEN FOREIGN AND DOMESTIC ECONOMIC ORGANIZATIONS AND ALSO PROMOTES CLOSE COOPERATION AND FURTHER DEVELOPMENT IN OTHER FIELDS OF COMMERCE AND THE ECONOMY."

2. FOREIGNERS WISHING TO ESTABLISH REPRESENTATIVE OFFICES MUST SUBMIT APPLICATIONS TO THE MINISTRY OF FOREIGN TRADE WHICH WILL INCLUDE THE FOLLOWING: (A) THE FIRM'S NAME, LEGAL FORM, DATE AND PLACE OF REGISTRATION, AND PLACE OF RESIDENCE; (B) NOMINAL AND FULLY PAID BASIC CAPITAL; (C) THE SPHERE OF THE FIRM'S ACTIVITIES; (D) THE SPHERE OF ACTIVITIES OF THE DIRECT COMMERCIAL REPRESENTATION TO BE ESTABLISHED, THE NUMBER OF FOREIGN AND LOCAL EMPLOYEES TO BE EMPLOYED, AND THE LENGTH OF TIME THE OFFICE PLANS TO FUNCTION.

3. IN ADDITION TO THE REQUIRED DATA LISTED ABOVE, THE DECREE STATES THAT FIRMS MAY ALSO WISH TO SUBMIT ADDITIONAL INFORMATION IN CONNECTION WITH THEIR APPLICATION SUCH AS: (A) COMPANY'S RECENT PRODUCTION AND TRADE RESULTS BOTH IN ITS DOMESTIC AND FOREIGN MARKETS; (B) INFORMATION CONCERNING CONTRACTS WITH HUNGARIAN ENTERPRISES ESPECIALLY THOSE WHICH INVOLVE LONG-TERM PRODUCTION OR COMMERCIAL COOPERATION; (C) PLANS AND CONCEPTS REGARDING PRODUCTION AND ECONOMIC COOPERATION TO BE CARRIED OUT WITH HUNGARIAN ECONOMIC ORGANIZATIONS WITH PARTICULAR EMPHASIS ON THOSE WHICH WOULD RAISE THE TECHNICAL LEVEL OF DOMESTIC ECONOMIC ACTIVITIES AND WOULD PROMOTE THE EXPORT ACTIVITIES OF HUNGARIAN ENTERPRISES.

4. THE MINISTRY OF FOREIGN TRADE'S DECISIONS ON APPLICATIONS BY FOREIGN FIRMS FOR REPRESENTATIVE OFFICES MUST BE MADE WITHIN THREE MONTHS OF THE SUBMISSION OF THE UNCLASSIFIED

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APPLICATION. IF THE MINISTRY NEEDS ADDITIONAL MATERIAL FROM AN APPLICANT BEFORE FULL CONSIDERATION CAN BE GIVEN TO HIS REQUEST, THIS THREE MONTH DECISION MAKING PERIOD WILL COMMENCE ON THE DATE OF SUBMISSION OF THIS SUPPLEMENTARY INFORMATION.

5. ONE MAJOR QUESTION WHICH HAS YET TO BE SETTLED IS MATTER OF TAXATION OF FOREIGN FIRMS' OFFICES

TO BE ESTABLISHED IN HUNGARY. TAX QUESTION IS APPARENTLY STILL UNDER DISCUSSION IN MINISTRY OF FINANCE AND EMBASSY INFORMED THAT MINISTRY WILL ISSUE DECREE IN NOT TOO DISTANT FUTURE DEFINING TAX STATUS OF FOREIGN OFFICES HERE.

6. EMBASSY TRANSLATION OF MINISTRY DECREE BEING PREPARED AND WILL BE POUCHED TO STATE AND COMMERCE NEXT WEEK. HUNGARIAN CHAMBER OF COMMERCE INFORMS US THAT IT PREPARING ENGLISH TRANSLATION OF ENTIRE FOREIGN TRADE LAW WHICH SHOULD BE AVAILABLE IN EARLY DEC. EMBASSY ECON/COMMERCIAL OFFICERS HAVE REQUESTED MEETING WITH MFT SPECIALISTS FOR FURTHER DISCUSSION OF IMPLICATIONS OF NEW LEGISLATION AND PARTICULARLY QUESTION OF FOREIGN REPRESENTATION AND WILL REPORT ON THE OUTCOME OF THESE SESSIONS.  
PEDERSEN

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## Message Attributes

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